

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

NOVA MEASURING INSTRUMENTS)
LTD.,)
Plaintiff(s),)
v.)
NANOMETRICS, INC.,)
Defendant(s).)
_____)

No. C 05-0986 MMC (BZ)

**SEVENTH DISCOVERY ORDER
DENYING NOVA'S MOTIONS FOR
SANCTIONS**

Plaintiff Nova Measuring Instruments Ltd. ("Nova") moves for monetary and non-monetary sanctions against defendant Nanometrics, Inc. ("Nanometrics") for Nanometrics' alleged failure to comply with Patent Local Rule 3-4(a)¹ and this court's Third Discovery Order.

This dispute has a long and complicated history. In

¹ Patent Local Rule 3-4(a) requires Nanometrics to produce "[s]ource code, specifications, schematics, flow charts, artwork, formulas, or other documentation sufficient to show the operation of any aspects or elements of an Accused Instrumentality identified by [Nova] in its Patent L.R. 3-1(c) chart."

1 December 2005, the parties in writing requested assistance
2 with several discovery disputes, one of which involved
3 Nanometrics' alleged failure to comply with Patent Local Rule
4 3-4(a). After a telephone discovery conference with the court
5 and further meeting and conferring, the parties were still
6 unable to resolve this dispute, despite Nanometrics'
7 production of additional documents which it contended were
8 responsive to Patent Local Rule 3-4(a). On January 24, 2006,
9 Nova moved to compel Nanometrics to produce documents required
10 by Patent Local Rule 3-4(a). The Third Discovery Order
11 [docket # 80] required Nanometrics to produce documents in
12 searchable format and to separately identify by production
13 number which documents corresponded to which category so that
14 Nova could discern which of the produced documents referred to
15 which elements or aspects of the accused instrumentalities
16 identified in Nova's Patent Local Rule 3-1(c) chart. In March
17 2006 the court denied Nanometrics' motion for reconsideration
18 of the Third Discovery Order [docket # 103], and Judge Chesney
19 denied Nanometrics' objections to the Third Discovery Order
20 [docket # 112].

21 In response to the Third Discovery Order, Nanometrics
22 produced roughly 80 documents. Still claiming that these
23 documents did not satisfy Patent Local Rule 3-4(a), as well as
24 the Third Discovery Order, on April 6, 2006, Nova filed
25 motions for monetary and non-monetary sanctions against
26 Nanometrics. After voluminous briefing by the parties, the
27 court ordered Nanometrics to provide "a list of documents
28 [Nanometrics] produced which it contends show the operation of

1 the accused instrumentality identified in Nova's Patent 3-1(c)
2 chart," specifically the beam splitter.² Fifth Disc. Order
3 [docket #131]. In response, Nanometrics listed 26 pages,
4 comprising documents which it had earlier produced. Nova did
5 not dispute Nanometrics produced these documents but instead
6 argued that because these 26 pages of documents failed to show
7 how the beam splitter relates to the other parts of the
8 accused products, they failed to show how the beam splitter
9 operates and did not comply with Patent Local Rule 3-4(a). At
10 a June 7, 2006 hearing to discuss this exchange, the court
11 ordered a Rule 30(b)(6) deposition of a person most
12 knowledgeable about the record-keeping policies regarding the
13 beam splitter. To guide the parties, the court highlighted
14 the following question as central to the inquiry into whether
15 Nanometrics' behavior warranted sanctions: Were there other
16 existing documents which show the operation of the beam
17 splitter better than the documents already produced?

18 Nanometrics produced Dr. Martin Ebert as its 30(b)(6)
19 deponent on July 6, 2006. Claiming that Dr. Ebert's
20 deposition showed that there were other existing documents,
21 Nova renewed its motions for sanctions and submitted
22 supplemental papers.³

24 ² For ease and simplicity's sake, the court focused on
25 the beam splitter, a device which splits a light beam into
26 two. Nova contends that there are several other devices for
27 which Nanometrics failed to produce documents but chose the
beam splitter at the June 7, 2006 hearing as a representative
device for the purposes of its motions.

28 ³ Nova's sanctions motions are based on the documents
Nanometrics produced in response to the Third Discovery Order.
Suppl. Motion 6:16-19.

1 Nova claims that Nanometrics still has not produced
2 documents sufficient to show the operation of any of its
3 accused products. Nova claims that the documents listed by
4 Nanometrics in response to the Fifth Discovery Order are
5 insufficient since only two documents refer to a beam
6 splitter, showing isolated beam splitters supplied by third
7 parties, and no documents show how either of the beam
8 splitters relate to any other part of the accused products or
9 operate in the accused products. Furthermore, Nova claims
10 that the produced documents are insufficient since Dr. Ebert
11 testified that he could not analyze the documents on their
12 face; he stated that with the right tools he could use the
13 part numbers on the documents to identify the products in
14 which the parts are used. Suppl. Motion 8:9-9:19.

15 Nova claims Exhibits 116-125 to Dr. Ebert's deposition,
16 which Nanometrics did not produce in response to the Third
17 Discovery Order but were previously produced, better show the
18 operation of the accused products than any documents
19 Nanometrics produced in response to the Third Discovery Order
20 or listed in response to the Fifth Discovery Order. Suppl.
21 Reply 6:20-7:5. In particular, Nova's expert highlights
22 Exhibits 123-125 as "contain[ing] substantial information
23 about operation of [non accused products]" which is
24 "pertinent" to the claims of the patent at issue. Hartsough
25 Decl. ¶¶ 26-28. In addition, Nova argues that Nanometrics did
26 not produce electronic models in response to the Third
27 Discovery Order, despite Dr. Ebert's testimony that electronic
28 models were helpful in understanding how the beam splitter

1 works, which suggested that they were the best way to
2 understand the structure and operation of the accused
3 products.

4 Nanometrics submits the declaration of Jeff Young, its
5 Master Scheduler, who was responsible for reviewing and
6 finding documents "which show the function and operation of
7 the aspects and elements of Nanometrics' accused products
8 identified in Nova's Preliminary Infringement Contentions (the
9 'identified components')." Young Decl. ¶ 2. Mr. Young avers
10 that he is one of the people most familiar with Nanometrics'
11 engineering documents and spent three days locating documents
12 for production. He "identified engineering documents which
13 correspond to the identified components" and which show "one
14 of ordinary skill in the art what components are present in
15 Nanometrics [sic] products and how they work." Id. He
16 further avers that Exhibits 116-125 "are not better than those
17 [he] identified" because they "either do not show the accused
18 products, are not accurate representations, or are not
19 documents one of ordinary skill would use to determine the
20 structure and operation of the accused products." Id. ¶ 4.

21 Specifically, Mr. Young avers Exhibits 123-125 are not
22 engineering documents and do not show the function and
23 operation of the accused products. According to Mr. Young,
24 Exhibit 124 does not show how a beam splitter works in normal
25 operation,⁴ and Exhibit 125 is conceptual in nature and he

26
27 ⁴ Mr. Young avers that Exhibit 124 "does not reveal
28 the light-path that would occur through the beamsplitter in
the normal operation of the product," and it shows "how to
align the beamsplitter during manufacture" using a different

1 would not consult it to understand the actual function of the
2 accused products. Id. ¶¶ 8-10.⁵ Dr. Ebert corroborated this
3 in his deposition. He testified that Exhibit 123 does not
4 show a depiction of a beam splitter. Exhibits 124 and 125 are
5 manuals for the NanoOCD 9000, which is not one of the accused
6 products, and Dr. Ebert testified that Exhibit 125 does not
7 show the optical system of the Nanometrics 9000, one of the
8 accused products.

9 As for the electronic models, Nanometrics does not
10 dispute that it did not produce these in response to the Third
11 Discovery Order. At oral argument, Nanometrics stated that it
12 had produced electronic models as part of its initial
13 production and that Nova had these in electronic format from
14 the beginning of this dispute. Nanometrics also offered in
15 late June 2006, through its counsel, to create new documents
16 which show the structure and operation of its products and
17 produce these new documents in electronic format so that they
18 could be rotated and viewed in three dimensions. Finley Decl.

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20 _____
21 product which is "not used in the normal operation of [the
beamsplitter]." Young Decl. ¶ 9.

22 ⁵ Nova argues that Nanometrics is required to search
23 and produce more than just engineering documents and should
24 not have limited its production to only the documents it
25 believed best complied with the Patent Local Rules. Mr. Young
26 explains why Nanometrics thought engineering documents would
27 show better the function and operation of the accused products
28 than conceptual drawings contained in service and training
manuals. Also, Nova concedes that the Patent Local Rules do
not require production of all documents which show or might be
helpful in showing the operation and structure of the accused
products. Nanometrics' decision in choosing better or more
helpful documents rather than producing all documents, most of
which do not show the accused products or are not accurate
representations, is understandable.

¶ 3. Nanometrics sent samples of such documents for two of the accused products to Nova on June 22, 2006, which were Exhibits 126 and 127 to Dr. Ebert's deposition. Id. Dr. Ebert testified that for the beam splitter, he would look at the electronic models to understand how the optical components relate to each other, and that it was the ability to rotate the images in three dimensions that made it much easier to understand how the light would travel through these optical components. Schnapf Decl., Exh. A. 118:1-17 [docket # 197]. Nova rejected Nanometrics' proposal as belated and insufficient and requested such documents in electronic format for each version of the accused products, pointing out that there are more than two accused products and that each accused product might have been modified since the patent in question issued. Nanometrics rejected Nova's counteroffer since such documents did not exist and would have had to be created. Finley Decl. ¶ 4.

Nova concedes for the purposes of its motions, that "Patent Local Rule 3-4(a) does not require production of **all** documents which show the operation and structure of the accused products." Suppl. Motion 6:1-6 (emphasis in original). Nor does Nova claim that Patent Local Rule 3-4(a) requires a party to create documents that do not exist. Instead, Nova claims that because it believes some of the documents it received in discovery better describe the operation of the beam splitter than the documents Nanometrics identified in response to the Fifth Discovery Order, Nanometrics should be found to have infringed Nova's patent

1 and sanctioned attorneys' fees in excess of \$11,000.

2 The court will not comment on the utility of this dispute
3 over the requirements of Patent Local Rule 3-4. Suffice it to
4 say that having read excerpts of Dr. Ebert's deposition and
5 considered the supplemental papers and arguments, I find that
6 Nova has still not shown that there were other existing
7 documents that better show the operation of the beam splitter
8 such that Nanometrics should be sanctioned for identifying
9 documents which insufficiently described the operation of the
10 accused products in its initial disclosures.⁶ Nanometrics had
11 reason to believe that Exhibits 116-125 to Dr. Ebert's
12 deposition, which Nova found on the hard drive Nanometrics
13 produced in January 2006, were not better than the ones
14 produced in response to the Third Discovery Order. Nova
15 repeats its arguments that it cannot more specifically point
16 out other documents which better show the operation of the
17 beam splitter since Nanometrics has not produced them. Nova
18 again states that Nanometrics must have better documents
19 because Nanometrics is a sophisticated technology company
20 whose customers demand detailed records and Dr. Ebert's
21 deposition testimony indicates that Nanometrics has a
22 meticulous system of recordkeeping. At the hearing on June 7,
23 2006, however, I cautioned that without more, I would deny
24 Nova's motions for sanctions. I stated that to impose
25 monetary sanctions against Nanometrics or make findings that
26 could hobble Nanometrics' defense, Nova would have to make a

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28 ⁶ To the extent Nanometrics' initial disclosures were
insufficient, that was resolved by the Third Discovery Order.

1 showing to back its conclusions and counter Nanometrics'
2 representations that it had complied with its obligations.
3 Nova has not made the required showing to support its motions.

4 For the foregoing reasons, **IT IS ORDERED** that Nova's
5 motions for sanctions are **DENIED**.

6 Dated: September 7, 2006

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Bernard Zimmerman
United States Magistrate Judge

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